

Ahuja Impex Private Limited

May 04, 2021

Ratings

Facilities / Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	5.00	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB-; Stable; (Double B Minus; Outlook: Stable)
Short Term Bank Facilities	10.00	CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Facilities	15.00 (Rs. Fifteen Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated March 30, 2020 placed the ratings of Ahuja Impex Private Limited (AIPL) under the 'issuer non-cooperating' category as AIPL had failed to provide information for monitoring of the rating. AIPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated February 13, 2021, February 23, 2021, March 05, 2021. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further banker could not be contacted.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

The rating has been revised by taking into account non-availability of information and no due-diligence conducted due to non-cooperation by AIPL with CARE'S efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk. Further, the ratings continue to remain constrained owing to small scale of operations, low profitability margins, leveraged capital structure and weak debt service coverage indicators, elongated operating cycle, foreign exchange fluctuation risk and highly fragmented nature of industry characterized by intense competition.

The ratings, however, continue to take comfort from experienced promoters coupled with long track record of operations and association with reputed customer base.

Detailed description of the key rating drivers

At the time of last rating on March 30, 2020 the following were the rating weaknesses and strengths:

Detailed description of the key rating drivers

Key Rating Weaknesses

Small scale of operations

AIPL's scale of operations has remained small marked by total operating income and gross cash accruals of Rs.24.25 crore and Rs.0.12 crore, respectively, during FY20 (refers to the period April 1 to March 31). Furthermore, the net worth base also stood small at Rs.3.90 crore as on March 31, 2020. The small scale of operations limits the company's financial flexibility in times of stress and deprives it of scale benefits.

Low profitability margins, leveraged capital structure and weak debt service coverage indicators

The profitability margins of the company have been historically on the lower side for past three financial years (FY18-FY20) owing to trading nature of the business and intense market competition given the highly fragmented nature of the industry. Further, high interest burden on its bank borrowings also restricts the net profitability of the company. Thus, the PBILD and PAT margin of the company stood at 1.74% and 0.33% respectively, in FY20. The capital structure of the company stood leveraged on past three balance sheet dates ending March 31, '18-'20 on account of high dependence on

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

working capital borrowings to meet its working capital requirements. Overall gearing stood at 1.40x as on March 31, 2020 showing improvement from 2.00x as on March 31, 2019 mainly on account of lower utilization of working capital borrowings as on balance sheet date. Further, debt service coverage indicators as marked by interest coverage and total debt to GCA stood weak for the past three financial years (FY18-FY20) owing to high debt levels and low profitability position. Interest coverage ratio and total debt to GCA stood at 1.59x and 44.32x during FY19.

Elongated operating cycle

The company has elongated operating cycle on account of high collection period. The company is required to maintain adequate inventory of traded goods of around one month to cater the immediate demand of the customers resulting in inventory holding period of around 18 days during FY20. Further, being present in a highly competitive business and having low bargaining power with its customers, the company normally extends credit period of around 3-4 months to its customers. However, the company procures the traded products majorly on cash and advance basis with maximum credit period received from its supplier stood around one month.

Foreign exchange fluctuation risk

The company is mainly sourcing its petroleum products requirement through imports from gulf countries like United Arab Emirates, Saudi Arabia, Iran, etc. The traded products are completely sold in the domestic market. With initial cash outlay for procurement in foreign currency and significant chunk of sales realization in domestic currency, the company is exposed to the fluctuation in exchange rates which the company does not hedge.

Highly fragmented nature of industry characterized by intense competition

The spectrum of the trading industry in which the company operates is highly fragmented and competitive marked by the presence of numerous players in India. Hence, the players in the industry do not have any pricing power and are exposed to competition induced pressures on profitability. Moreover, the value addition is low on account of trading nature of business operations which further impacts the profitability margin

Key Rating Strengths

Experienced promoters coupled with long track record of operations

AIPL is a family run business. Mr. Krishan Kumar Ahuja and Mr. Abhishek Ahuja are the directors of AIPL and they collectively look after the overall operations of the company. Mr. Krishan Kumar Ahuja has accumulated experience of more than two decades in trading industry through his association with this entity and other associate concern. He is ably supported by Mr. Abhishek Ahuja, who is a post graduate and holds one and half decade of experience in this business through his association with this entity. AIPL has been operating in this business for more than two decades, which aid in establishing a healthy relationship with both customers and suppliers.

Association with reputed customer base

AIPL has been operational for more than two decades and has been able to establish healthy relationship with its customers. Over these years the company has established business relationship with reputed companies. Association with reputed customer base ensures timely realization of receivables.

Analytical Approach: Standalone

Applicable criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[Policy in respect of Non-cooperation by issuer](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[CARE's methodology for Wholesale trading Companies](#)

[Criteria for Short Term Instruments](#)

About the Firm

Delhi based Ahuja Impex Private Limited (AIPL) was incorporated in January, 1996 and is currently being managed by Mr. Krishan Kumar Ahuja and Mr. Abhishek Ahuja. The company is engaged in the trading of varied range of petroleum products such as base oil, bitumen, lubricating oil, virgin oil, grease, residue wax, slack wax, etc. The company procures the traded products from gulf countries like United Arab Emirates, Saudi Arabia, Iran, etc. and selling its products to industrial oil manufacturers & refineries, construction companies and dealers. "Delhi Paints & Oil Traders" is group associate and engaged in the trading of lubricants.

Non BFSI

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	35.68	24.45
PBILDT	0.69	0.42
PAT	0.13	0.08
Overall gearing (times)	2.00	1.40
Interest coverage (times)	1.54	1.59

A: Audited

Status of non-cooperation with previous CRA: BRICKWORK Ratings has conducted the review and has placed the rating to Issuer not cooperating as per press release dated October 15, 2020.

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	5.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based/Non-fund-based-Short Term	-	-	-	10.00	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Cash Credit	LT	5.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (30-Mar-20)	1)CARE BB; Stable; ISSUER NOT COOPERATING* (08-Jan-19)
2.	Fund-based/Non-fund-based-Short Term	ST	10.00	CARE A4; ISSUER NOT COOPERATING*	-	-	1)CARE A4; ISSUER NOT COOPERATING* (30-Mar-20)	1)CARE A4; ISSUER NOT COOPERATING* (08-Jan-19)

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based/Non-fund-based-Short Term	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

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